

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLINTON COUNTY SHERIFF**

**For The Year Ended  
December 31, 2009**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$12,981 from the prior year, resulting in excess fees of \$18,003 as of December 31, 2009. Revenues decreased by \$21,693 from the prior year and expenditures decreased by \$34,674.

#### **Report Comments:**

- 2009-01 The Sheriff Should Account For All Receipts In The Appropriate Accounts
- 2009-02 The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2009-03 The Sheriff Had \$109 Of Disallowed Expenditures In The 2009 Fee Account
- 2009-04 The Sheriff Disbursed \$42 In Disallowed Expenditures In The Drug Eradication Account
- 2009-05 The Sheriff Should Maintain Adequate Payroll Records
- 2009-06 The Sheriff Should Be Earning Interest On His Official Accounts
- 2009-07 The Sheriff's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits as of December 3, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$376,483

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Lyle Huff, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Clinton County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2010 on our consideration of the Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Lyle Huff, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The Sheriff Should Account For All Receipts In The Appropriate Accounts
- 2009-02 The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2009-03 The Sheriff Had \$109 Of Disallowed Expenditures In The 2009 Fee Account
- 2009-04 The Sheriff Disbursed \$42 In Disallowed Expenditures In The Drug Eradication Account
- 2009-05 The Sheriff Should Maintain Adequate Payroll Records
- 2009-06 The Sheriff Should Be Earning Interest On His Official Accounts
- 2009-07 The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

September 27, 2010



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Contract		
Corp. Of Engineers	\$	5,175
State - Kentucky Law Enforcement Foundation Program Fund		16,264
State Fees For Services:		
Fee Claims	\$	8,894
House Bill 452	<u>6,917</u>	15,811
Circuit Court Clerk:		
Fines and Fees Collected		5,145
Fiscal Court:		
Sheriff Salary	68,796	
Training Incentive	<u>3,528</u>	72,324
Board Of Education:		
Payroll Reimbursement		9,864
County Clerk - Delinquent Taxes		913
Commission On Taxes Collected		110,751
Other Fees On Taxes Collected:		
10% Add-On Fees	24,313	
Advertising Fees	<u>2,795</u>	27,108
Fees Collected For Services:		
Auto Inspections	1,679	
Accident and Police Reports	218	
Serving Papers	16,957	
Carrying Concealed Deadly Weapon Permits	<u>4,755</u>	23,609

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 RICKY RIDDLE, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Revenues (Continued)

Other:

Transporting Prisoners	\$	6,673
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Interest Earned		133
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Borrowed Money:

State Advancement		<u>20,000</u>
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Total Revenues		313,770
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Expenditures

Operating Expenditures:

Personnel Services-

Deputies' Salaries	\$	109,351	
Other Salaries		<u>33,644</u>	\$ 142,995

Employee Benefits-

Employer's Share Social Security		10,266	
Employer's Share Retirement		20,373	
Unemployment Insurance		<u>2,416</u>	33,055

Materials and Supplies-

Office Materials and Supplies		4,326	
Uniforms		<u>144</u>	4,470

Auto Expense-

Gasoline		8,938	
Maintenance and Repairs		<u>1,904</u>	10,842

Other Charges-

Conventions and Travel		1,064	
Postage		495	
Bond		6,369	
Carrying Concealed Deadly Weapon Permits		2,255	
Computer Maintenance		1,937	
Miscellaneous		<u>70</u>	12,190

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 RICKY RIDDLE, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures (Continued)

Debt Service:

State Advancement	\$ 20,000
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Total Expenditures	\$ 223,552
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Less: Disallowed Expenditures	<u>109</u>
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Total Allowable Expenditures	<u>223,443</u>
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Net Revenues	90,327
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Less: Statutory Maximum	<u>68,796</u>
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Excess Fees	21,531
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Less: Training Incentive Benefit	<u>3,528</u>
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Excess Fees Due County For 2009	<u><u>\$ 18,003</u></u>
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The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan, 5 percent will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (the member's age plus years of service credit must equal 87 and the member must be a minimum of 57 years of age) or the members age is 65 with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 3. Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 3, 2009, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$376,483

Note 4. Drug Eradication Account

The Sheriff's office maintains a Drug Eradication account. Receipts of this account are from court ordered payments related to drug cases. These funds are reserved for law enforcement activities involving drug eradication and not included in excess fees. The balance as of January 1, 2009 was \$19,122, receipts and expenditures were \$45,936 and \$39,558 respectively, and the December 31, 2009 balance was \$25,500.

Note 5. Drug Abuse Resistance Education Account

The Sheriff's office maintains a Drug Abuse Resistance Education (DARE) account. Funds received in this account are to be spent on drug abuse resistance education and are not included in excess fees. The balance as of January 1, 2009 was \$1,893, receipts and expenditures were \$1,118 and \$1,424 respectively, and the December 31, 2009 balance was \$1,587.

Note 6. Court Ordered Restitution

The Kentucky State Police conducted an investigation resulting in the prosecution of the former office manager of the Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for the 2003 fee account, \$19,593 for the January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005 the former employee pled guilty to these charges. The court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years. As of September 18, 2008, the Clinton County Circuit Court Clerk had collected all \$45,159 from the former employee on the court ordered restitution and had paid this money over to the Clinton County Sheriff. On January 22, 2009, the Clinton County Sheriff deposited the \$45,159 into the Drug Eradication account, in accordance with the court order dated January 7, 2009, which stated "It is therefore ordered that the restitution in this case shall be paid to the Clinton County Sheriff's Office for their Drug Eradication Fund".

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Lyle Huff, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated September 27, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-01 and 2009-07 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-02 and 2009-05 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, and 2009-06.

The Clinton County Sheriff's response to the findings identified in our audit is described in the accompanying comments and recommendations. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Clinton County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

September 27, 2010

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

FINANCIAL STATEMENT FINDINGS:

2009-01 The Sheriff Should Account For All Receipts In The Appropriate Accounts

The Sheriff engaged in the practice of transferring funds between multiple accounts in order to cover operating expenses of his office. Our examination of receipts and disbursements indicated the following:

- a) On January 6, 2009, \$10,000 was transferred from the 2008 fee account to the 2009 fee account. However, on December 30, 2009, the 2009 fee account reimbursed the 2008 fee account to correct this error.
- b) On April 20, 2009, \$14,805 was transferred from the Drug Eradication account to the 2009 fee account. These funds have not been returned to the Drug Eradication account.
- c) During calendar year 2009, office supply purchases totaling \$267 were paid from the Drug Abuse Resistance Education (DARE) account in error. The 2009 fee account has not reimbursed the DARE account to correct these errors.

KRS 134.170(3) states, "Other than for investments and expenditures permitted by KRS 134.140, the Sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected."

We recommend the Sheriff refrain from making loans to various accounts, and that all receipts are deposited to the appropriate accounts. In addition, we recommend that all outstanding receivables noted herein are transferred to the appropriate accounts.

*Sheriff's Response: Clerical error. Money deposited into wrong account.*

*Auditor's Reply: The transfers made from the Drug Eradication account and the DARE account have not been corrected and returned to those accounts.*

2009-02 The Sheriff Should Deposit Receipts Intact On A Daily Basis

During the course of the audit, we noted that deposits were not made in a timely manner. Our review indicated a total of 162 deposits were made into the 2009 fee account. The auditor found that 107 of these deposits did not clear the bank within three (3) business days. In addition, the auditor noted that six (6) of the deposits took between one (1) and two (2) months to clear the bank. The auditor also noted penalties totaling \$60 were charged due to instances of the account being overdrawn.

The Sheriff lacks controls over the deposit process and does not provide adequate oversight in this area.

CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2009-02 The Sheriff Should Deposit Receipts Intact On A Daily Basis (Continued)

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Also, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff immediately implement controls over the deposit process to assure deposits are made daily to comply with KRS 68.210.

*Sheriff's Response: Will improve.*

2009-03 The Sheriff Had \$109 Of Disallowed Expenditures In The 2009 Fee Account

The Sheriff had \$109 in disallowed expenditures including \$49 in late payment penalties on invoices and \$60 for overdrawing the 2009 fee account on numerous occasions. In **Funk vs. Milliken 317 S.W.2d 499 (KY 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the Sheriff deposit \$109 of personal funds into his 2009 fee account to reimburse the fee account for the disallowed expenditures.

*Sheriff's Response: Will correct.*

2009-04 The Sheriff Disbursed \$42 In Disallowed Expenditures In The Drug Eradication Account

The Sheriff had \$42 in disallowed expenditures for late payment penalties on invoices in his Drug Eradication account. In **Funk vs. Milliken 317 S.W.2d 499 (KY 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the Sheriff deposit \$42 of personal funds into his Drug Eradication account to reimburse the account for the disallowed expenditures.

*Sheriff's Response: Will correct.*

CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2009-05 The Sheriff Should Maintain Adequate Payroll Records

The Sheriff does not maintain records for employee's leave time used and/or accumulated.

If the Sheriff does not maintain adequate documentation of leave time for all employees, the office is at risk for possible future payments to any employee maintaining their own records that subsequently resigns or is otherwise let go. If this employee maintained documentation, which cannot be refuted by the Sheriff, the office may owe that employee for accumulated leave time.

KRS 337.320(1) requires that "every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer; (c) and such other information as the executive director requires."

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff maintain personnel records for each employee that indicates accurate and current leave balances.

*Sheriff's Response: Will correct.*

2009-06 The Sheriff Should Be Earning Interest On His Official Accounts

The Sheriff does not earn interest on all of his official accounts. Funds deposited into the Sheriff's Restitution, Drug Eradication, and Drug Abuse Resistance Education (DARE) accounts are not earning interest income. Interest income is also not earned on the Sheriff's yearly fee accounts.

KRS 66.840(4) states, "county officials, may, and at the redirection of the fiscal court shall, invest and reinvest money subject to their control." Additionally, depositing receipts in an interest bearing account would provide investment income beneficial to the office.

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff deposit all applicable receipts of his office into interest bearing accounts.

*Sheriff's Response: Will look into this.*

CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2009  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2009-07 The Sheriff's Office Lacks Adequate Segregation Of Duties

A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper is responsible for opening incoming mail, receiving and recording cash, preparing of bank deposits, preparing the daily checkout sheets, posting to the receipts and disbursements ledgers, and preparing financial reports.

Limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur, but go undetected.

Additionally, because a lack of adequate segregation of duties existed and because the Sheriff did not provide strong oversight over the office, the following occurred:

- All Receipts Were Not Accounted For In The Appropriate Year.
- Comingling Funds Between Accounts Resulted In Unpaid Excess Fees.
- Receipts Were Not Deposited On A Timely Basis.
- Penalties Were Charged For Overdrawing the 2009 Fee Account On Multiple Occasions.
- Penalties Were Charged For Late Payment Of Invoices.

A segregation of duties over various accounting functions, such as opening mail, recording cash, preparing bank deposits, posting transactions to ledgers, and preparing financial reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involving the opening of mail, depositing of cash, posting of transactions to the ledgers, and preparing financial reports. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be noted on appropriate source documentation.

*Sheriff's Response: No response.*



